

UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
Washington

SLS-8

August 19 , 1937

-----  
T H E S H E E P A N D L A M B S I T U A T I O N  
-----

-----  
This issue contains the significant facts relating to the summer outlook for sheep, lambs and wool. A separate outlook report will not be issued this summer.  
-----

Summary

Present prospects indicate that prices of lambs during the remainder of the grass-lamb marketing season, up to December 1, will be maintained near present levels, reports the Bureau of Agricultural Economics. Slaughter supplies of lambs during this period probably will be no larger than a year earlier, and consumer demand for meats is expected to be slightly stronger than last fall. In addition it is likely that there will be a strong demand for feeder lambs, especially in the Corn Belt, where feed supplies will be much larger than last year.

The number of lambs fed in the Corn Belt in the coming feeding season will be larger than in 1936-37, when the number fed was relatively small. In the Western States, the number fed may not be greatly different from that of a year earlier. Although marketings of fed lambs next winter are likely to be larger than in the 1936-37 season, marketings of sheep and other lambs may be smaller. Hence, it is possible that the total slaughter of sheep and lambs in the 1937-38 fed-lamb season will be little if any larger than in the 1936-37 season. With prospects for a slightly higher level of consumer demand than last year, however, prices of fed lambs in the winter of 1937-38 may average about as high as a year earlier.

UNIV. OF FL. LIB.  
DOCUMENTS DEPT.

The trend in numbers of stock sheep on farms in the Western Sheep States probably will be downward in the next few years, in view of restrictions on grazing of livestock in effect on the public domain and on the forest reserves. In the past 5 or 6 years ranges have deteriorated considerably, and it is possible that several years of favorable precipitation will be required for the carrying capacity of ranges to recover from the drought effects. In the Native Sheep States the relatively high returns from lambs and wool in the past 3 years probably will cause a continuation of the slight upward trend in sheep numbers which has prevailed since 1931. For the country as a whole the increase in numbers in the Native States is likely to be more than offset by the decrease in the Western States.

Domestic wool prices during the remainder of 1937 probably will be maintained near present levels. World supplies of wool in the coming year are likely to be about the same as in 1936-37, when they were below average. There has been some tendency for mill consumption of wool in several countries to decline in recent months, although the level of consumption is still relatively high. Despite some decline in mill consumption in the United States since March, total consumption in the first half of this year was the second largest for the period since 1923.

#### REVIEW OF 1936-37 SEASON

Prices of lambs declined somewhat from July through November 1936, and at the beginning of the fed lamb marketing season last December the average price of good and choice fed lambs of about \$8.85 was \$2 lower than in December 1935. From January through April this year prices advanced considerably, and in the latter month Chicago prices of good and choice fed lambs averaged \$12.20, the highest for the month since 1929. For the fed-lamb marketing season December 1936 through April 1937, the average price paid by packers for sheep and lambs slaughtered under Federal inspection was \$9.82. This was slightly higher than that of a year earlier, and was the highest for the season since 1929-30. Total payments by packers for sheep and lambs slaughtered during the 1936-37 fed-lamb marketing season were 8 percent greater than in 1935-36 and were the largest since 1928-29.

The higher prices for sheep and lambs in the 1936-37 fed lamb marketing season were due chiefly to the improvement in consumer demand for meats and the increase in wool and pelt values. The total live weight of sheep and lambs slaughtered under Federal inspection in the December - April period 1936-37 was about 4 percent more than in 1935-36 and was the greatest for the period on record.

Early lamb crop in 1937 smaller than last year

The early lamb crop of 1937 (lambs normally available for market before July 1) was somewhat smaller than that of 1936 and was later than usual. In California unfavorable weather and feed conditions reduced the crop considerably and also retarded the development of early lambs. The eastern movement of early lambs from that State did not begin in volume until about mid-April, from 2 to 3 weeks later than usual, and marketings of California lambs in April and May were considerably smaller than a year earlier and much smaller than average.

Marketings of early lambs from the Southeastern States and the Southern Corn Belt also were delayed somewhat. The smaller marketings of early spring lambs from most areas in April, May and June, however, were more than offset by the record marketings of yearlings and spring lambs from Texas.

Prices of spring lambs higher than year earlier

Prices of good and choice spring lambs at middle western markets at the beginning of the season in early April ranged from \$12 to \$12.75, or from \$1.50 to \$2 higher than a year earlier. After continuing near this level during late April, and through May and early June, prices of spring lambs declined seasonally during the last half of June and in the first half of July. Some recovery, however, occurred in late July. The average price of good and choice spring lambs at Chicago for July was \$10.84 compared with \$9.94 in July last year. The July average this year was the highest for the month since 1929.

Marketings of spring lambs and of yearlings from Texas decreased sharply during June and in July, but were much larger than a year earlier. Most of the market movement of lambs from the Southeastern States had been completed by mid-August. The movement of spring lambs from the Corn Belt got underway in fair volume in June and July. In late June and July there was also a considerable number of lambs received at middle western markets from Idaho, Oregon and Washington. Market supplies of lambs from August through November will come largely from the Western States and the Corn Belt.

## Inspected slaughter of sheep and lambs, specified periods

Period (inclusive)	5-year average			
	1930-31 to		1935-36	1936-37
	1934-35			
	Thousands	Thousands	Thousands	Thousands
Dec. - Apr. ....	<u>1/</u> 6,835	6,863	7,234	
May - July .....	4,310	3,874	4,186	
Aug. - Nov. ....	<u>1/</u> 6,270	6,274		

Bureau of Animal Industry.

1/ Excludes government slaughter.Average price per 100 pounds of good and choice spring  
lambs at Chicago, 1933-37

Month	1933	1934	1935	1936	1937
	Dollars	Dollars	Dollars	Dollars	Dollars
May .....	7.08	10.29	8.69	11.83	12.60
June .....	<u>1/</u> 7.64	8.70	8.56	11.44	11.94
July .....	<u>1/</u> 7.67	<u>1/</u> 7.32	<u>1/</u> 7.95	<u>2/</u> 9.94	10.84

1/ Lambs, 90 pounds down.2/ Lambs,

## OUTLOOK

Prospective Supplies

The 1937 lamb crop was estimated at 30,712,000 head, or about 1 percent smaller than that of 1936, but 2 percent larger than the 5-year 1931-35 average. The reduction from last year was in the Western States, since the crop in the Native States and in Texas was larger in 1937 than in 1936. For the country as a whole the number of lambs saved per 100 breeding ewes on January 1, was about the same in 1937 as in 1936, increases in the Native States being offset by decreases in the Western States. The number of breeding ewes on January 1, 1937, however, was slightly smaller than a year earlier.

Estimated lamb crop in the United States and specified regions,  
1931-35 average, and 1935-37

Period	: Western States, :		: Tex. :	: Native :	: United
	: including	: S. Dak.			
	: head	: head	: head	: head	: head
1931-35 average	16,020	2,998	11,105	30,124	
1935 .....	15,138	2,254	11,195	28,587	
1936 .....	16,230	3,848	10,901	30,979	
1937 <u>1/</u> .....	15,269	4,158	11,285	30,712	
<u>1/ Preliminary.</u>					

Although the 1937 lamb crop was not greatly different from that of 1936, the early lamb crop this year was smaller than that of last year and later than usual; in some areas the early crop was later than last year when it also was late. It seems probable that marketings of new crop lambs during the season up to August 1 have been no larger and perhaps smaller than those of the corresponding period last year. The increase in inspected slaughter of sheep and lambs from May through July over a year earlier apparently has been due chiefly to the increased marketings of yearlings from Texas.



The number of lambs available for marketing during the remainder of grass lamb marketing season, up to December 1, probably is about as large as last year and larger than average. Range and feed conditions in most of the Western States are now somewhat better than they were a year earlier, and late lambs are developing very well on most western ranges, in contrast to the rather slow development last summer. In the Corn Belt, pasture and crop conditions are materially better than they were a year ago. In general it appears that lambs marketed from the Corn Belt and from the Western States will be of about average size and condition.

Slaughter supplies of sheep and lambs in the next 3 or 4 months probably will be no larger, and may be smaller, than a year earlier. With favorable feed conditions and relatively high prices for lambs and wool there is likely to be some tendency to retain increased numbers of breeding ewes and ewe lambs. In view of the prospects for a much larger corn crop this year, the proportion of lambs marketed which will be purchased for feeding rather than for slaughter is likely to be larger this year than last.

The 1937 lamb crop in States where the bulk of the feeder lambs are produced was not greatly different from that of a year earlier, a larger crop in Texas being offset by reductions in California, Montana and Oregon. Last year and in other years when feed conditions in Texas were good, and when wool prices were relatively high, large numbers of Texas lambs were retained for shearing and were sold as yearlings the following spring rather than as feeders in the fall. Feed conditions in Texas this year are somewhat less favorable than last year, but wool prices continue high in relation to those of recent years prior to 1936. If prices of feeder lambs in Texas this fall appear high in relation to prospective prices for wool and yearlings next spring, the number of feeder lambs shipped from Texas may be larger than a year earlier.

The demand for feeder lambs in the Corn Belt this fall probably will be stronger than a year earlier in view of the prospects for a much larger production of feed crops in that area this year. Prices of corn and other feeds in the Corn Belt generally will be considerably lower in the coming fall and winter than those of a year earlier. On January 1, 1937, the number of sheep and lambs on feed in the Corn Belt States was much smaller than in early 1936 and was the smallest since 1929. With much larger feed supplies and lower feed prices in prospect, a considerable increase in the number of lambs fed in the Corn Belt in the coming feeding season is probable.

In the Western States the number of sheep and lambs on feed on January 1, 1937 was larger than on that date in either of the 2 preceding years. The production of feed crops in the Western States this year is expected to be about average and considerably better in some sections than in 1936. Prospects for lamb feeding this year in the Western States are as yet rather uncertain. Profits from feeding lambs last year were fairly favorable on lambs marketed late, but losses apparently were sustained on those marketed early. It is probable, however, that the number of lambs fed in western feeding areas in the coming feeding season will be about equal to the number fed last year, unless the smaller proportion of the lambs in feeder flesh results in a larger proportion of lambs going to slaughter in the fall months.

Contract sales of lambs in the Western States for fall delivery were not large in late June and early July, but in the last half of July and in early August a large volume of lambs was purchased on contract. By mid-August the number of lambs contracted in the Western States probably was larger than in any other recent year. In early July, contract prices ranged from \$8 to \$8.25 per 100 pounds, but by early August the bulk of the lambs was being contracted at prices from \$8.50 to \$9, with prices as high as \$9.35 being reported in Wyoming. Contract prices this year are the highest since 1930. Most of contract purchases of western lambs thus far have been by operators in the Western States, although some purchases for Corn Belt account were reported. It is probable, of course, that part of the lambs sold under contract to western operators will be resold later to Corn Belt feeders.

#### Consumer demand for meats

Consumer demand for meats improved materially from 1933 to 1936. In the latter year retail expenditures for federally inspected meats consumed in the United States were approximately 10 percent greater than in 1935 and more than 40 percent larger than at the depression low level of 1933. The marked improvement in consumer demand for meat since 1933 has resulted from the material increase in incomes of consumers brought about by the increases in industrial activity, employment and wages. It is estimated that non-agricultural income in 1936 was 13 percent larger than in 1935 and about 38 percent greater than in 1933.

The improvement in the demand for meats since 1933 followed the marked decrease in demand and in incomes of consumers in the depression years, 1930-33. As indicated in the accompanying table, retail expenditures for meats in 1933 were about 46 percent smaller than in 1929 while nonagricultural (urban) income in 1933 was about 41 percent less than in 1929. The decrease in the demand for hog products from 1929 through 1933 was greater than that for lamb and about the same as that for beef. Since 1933 the increase in the demand for beef appears to have been slightly greater than for other meats. From 1929 through 1933 the demand for lamb was not reduced quite so much as that for other meats, and apparently since 1933 the recovery in the demand for lamb has been somewhat less than that for other meats.

Estimated consumer expenditures for meats, including lard,  
and nonagricultural income, 1929-36

(1924-29 = 100)

Year	: Pork, : including: : lard : 1/	: Beef : and : veal : 1/	: Lamb : and : mutton: : 1/	: All : meats : including: : lard 1/	: Non- : agricultural : income : 2/
1929 .....	101.9	102.9	110.0	102.7	107.0
1930 .....	90.9	89.3	103.8	90.9	100.4
1931 .....	75.0	75.8	91.8	76.2	85.5
1932 .....	59.8	60.3	75.0	60.8	67.6
1933 .....	54.0	56.6	66.4	55.7	63.0
1934 .....	61.1	67.8	69.6	64.3	71.9
1935 .....	63.7	83.9	87.2	73.2	77.0
1936 .....	73.8	88.2	88.8	80.5	87.0

1/ Computed from retail prices of good grade meats at New York City and apparent consumption of federally inspected meats including lard.

2/ Source: Agricultural Adjustment Administration.

In the first half of 1937 incomes of consumers were larger than a year earlier, and the demand for meats was slightly greater as measured by the quantity taken and prices paid by consumers. The apparent consumption of federally inspected meats in the first half of this year was about 2 percent larger than in the first 6 months of 1936, and the index of retail meat prices reported by United States Bureau of Labor Statistics was about 3 percent higher.

Prospects as to the probable incomes of urban consumers indicate that the demand for meats in the last half of 1937 will be slightly higher than a year earlier. This would mean little change in the demand for meats from the present level.

### Prices

Prices of lambs ordinarily decline in June and July, and usually do not change greatly from August through November, even though slaughter supplies are seasonally large in September and October. This year it is expected that the slaughter of lambs will increase seasonally in the late summer and early fall, although the total for the period from August through November may be smaller or at least no larger than a year earlier. In the next 3 or 4 months prices of lambs are expected to be maintained near present levels if the demand for feeder lambs in the Corn Belt is as strong as now seems probable. It is also expected that prices of feeder lambs will be high in relation to prices of slaughter lambs, with little spread between prices of the two kinds.



Although some increase in lamb feeding next fall and winter now appears likely, it is possible that the slaughter of sheep and lambs in the fed-lamb marketing season from December 1937 through April 1938 will be no larger than in the 1936-37 season. In the fed-lamb season last year, marketings of fed lambs apparently represented a smaller than usual proportion of the total slaughter of sheep and lambs. Supplies of sheep throughout the season and supplies of lambs from sources other than feed lots, mostly from Texas, late in the season were large in relation to those of other recent years. Marketings of sheep and lambs from sources other than feed lots may be smaller next winter than last. If consumer demand for meats and prices of wool are maintained near present levels in late 1937 and early 1938, lamb prices in the coming fed-lamb marketing season probably will average about as high as those of last year. Seasonal changes in prices from December through April 1937-38, however, may be somewhat different from those of 1936-37, depending partly upon the regional distribution of the lambs fed next fall and winter.

#### LONG-TIME PRODUCTION OUTLOOK

The trend in stock sheep numbers and in lamb and wool production was sharply upward in all the important producing areas from 1923 to 1931. Since 1931 the total number for the entire country has been fairly stable, but changes have occurred in several regions. From 1931 to 1937 the trend in numbers in the native sheep States was slightly upward, although slight decreases occurred in those States in 1934 and 1936 as a result of the severe droughts in those years. In the Western Sheep States, excluding Texas, the trend in sheep numbers has been downward since 1931. In Texas the number of stock sheep increased steadily from 1923 to 1931 and increased further from 1931 to 1937, except for a decrease in 1934, which resulted from drought. The number of stock sheep in Texas on January 1, 1937, was the largest on record and was more than twice as large as that of January 1, 1923.

Numbers of stock sheep and lambs on farms in the United States and specified regions, January 1, 1923, and January 1, 1931-37

Year	Western States	Tex.	All other, mostly Native States	United States
	1,000 head	1,000 head	1,000 head	1,000 head
1923 .....	18,722	3,490	10,385	32,597
1931 .....	26,155	6,749	14,816	47,720
1932 .....	25,567	6,952	15,235	47,754
1933 .....	24,647	7,444	15,233	47,324
1934 .....	24,841	8,059	15,554	48,454
1935 .....	24,030	7,092	15,512	46,634
1936 .....	23,423	7,234	15,734	46,391
1937 .....	23,111	8,750	15,289	47,150

1/ Preliminary.

Returns to producers from lambs and wool in the past 2 years have been high in relation to those of other recent years. Under ordinary conditions this probably would lead to an expansion in sheep numbers in the Western States and Texas. In the Western States, however, ranges have greatly deteriorated as a result of 5 or 6 years of drought conditions, and it is possible that several years of favorable precipitation will be required for the carrying capacity of ranges to recover from the drought effects. Also restrictions on the number of livestock permitted to graze on the public domain and on the forest reserves may reduce further the number of sheep grazed on government-owned lands. It is possible, therefore, that the downward trend in sheep numbers in the Western States, excluding Texas, which has been underway since 1931 will continue for a few years more. If feed and weather conditions continue favorable, there seems little likelihood that sheep numbers in Texas will decline, but it hardly seems likely that the marked upward trend of the past 15 years will continue during the next several years.

In the native sheep states the slight upward trend in sheep numbers, which has prevailed since 1931, probably will continue in the next few years. Although prices of both lambs and wool have advanced materially in the past 3 years, prices of hogs and cattle have advanced even more. Hence the incentive to expand sheep production because of increased returns will not be great. The prospects for some shift in the acreage of cash crops to hay and pasture in the Corn Belt may also result in a slight increase in sheep numbers in that region. For the country as a whole sheep numbers may decline moderately in the next few years. The increase in prospect in the native sheep states probably will be more than offset by the prospective decrease in the Western States.

## WOOL

### Production and stocks

Preliminary estimates of wool production in 1937 in 12 countries, including Australia, the United States and the Union of South Africa indicate that world production of wool this year will be somewhat larger than that of last year. Stocks of wool at the end of the 1936-37 season in Southern Hemisphere countries are smaller than those of a year earlier and much smaller than average. Stocks are also relatively low and smaller than a year earlier in most importing countries. It is probable, therefore, that total supplies of wool available in 1937-38 will be but little different from those of 1936-37, which were below average.

The quantity of wool shorn and to be shorn in the United States in 1937 was estimated at 367 million pounds. This quantity is about 2 percent larger than the shorn wool production last year but it is about the same as the 1931-35 average. The increase in production this year resulted from the larger production in Texas and in the Native States. In the Western States, excluding Texas, production in 1937 was smaller than in 1936.

Total supplies of apparel wool in the United States on July 1 plus the part of production to become available later this year were estimated to be slightly larger than a year earlier, but were below average for that time of year. Holdings of foreign wool by dealers and manufacturers combined at the end of June were larger than a year earlier.

### Consumption and trade

Mill consumption of apparel wool (on a grease basis) in the United States in the first half of 1937 was about 10 percent larger than in the first 6 months of 1936 and with the exception of 1935 was larger than for any similar period since 1923. Since March, however, mill consumption has gradually declined, and in June, the weekly rate of consumption was the smallest since July 1936.

Mill consumption of apparel wool, grease basis,  
1924-33 average, annual 1934-37, and  
January - June 1936 and 1937

Period	Consumption
	<u>Million pounds</u>
1924-33 average .....	519
1934 .....	381
1935 .....	713
1936 .....	618
Jan. - June 1936 .....	287
Jan. - June 1937 .....	<u>1/</u> 314
Bureau of the Census.	
<u>1/</u> Preliminary.	

Mill consumption increased greatly in 1935 from the low level of 1934 as a result of improvement in incomes of consumers, reduced stocks of finished goods and large Government contracts for wool goods. Consumption was fairly well maintained in 1936 and increased materially in early 1937. In both years mill consumption was much above average. Since domestic production of wool has not changed greatly in recent years, the large mill consumption since 1934 has resulted in marked reduction in stocks in this country and a considerable increase in imports.



Imports of apparel wool in 1936 totaling 111 million pounds were 164 percent greater than in 1935 and were the largest since 1927. In the first half of 1937 imports were even larger than in the first half of 1936, and larger than in any similar period since 1926.

### Prices

Wool prices in the domestic market advanced sharply in the latter part of 1936 and early 1937. The rise in prices was the result of strong domestic and foreign demand and relatively small supplies of wool in the United States and foreign countries. Prices declined in April and May as the new clip became available in quantity but the decline was checked in July. Average prices of territory combing wools at Boston in July were 8 to 12 percent below the February high point, but with the exception of late 1936 and early 1937, prices in July were higher than at any time since 1929. Average prices of fine (64s, 70s, 80s) staple and 3/8 blood (56s) combing territory wool at Boston in July 1937 were about 15 percent higher than in July 1936.

Wool prices in foreign markets fluctuated considerably during 1936-37 but a general upward trend was maintained throughout the year. At the July 1937 series in London, prices for most wools were at or near the high point for the year and were mostly higher than at any time since 1929. Prices of 70s, scoured basis, at London in July averaged about 25 percent higher than in July 1936, while prices of 56s averaged more than 50 percent higher than a year earlier.

The advance in domestic wool prices in the latter part of 1936 and in the early months of 1937 was greater than the rise in foreign prices. Consequently, the spread between domestic and foreign prices was increased, and in late 1936 and early 1937 it was sufficiently large to encourage large imports of wool into the United States. The decline in domestic prices in April and May was not accompanied by a similar drop in foreign prices, and the spread between domestic and foreign prices was reduced somewhat in this period.

### Outlook

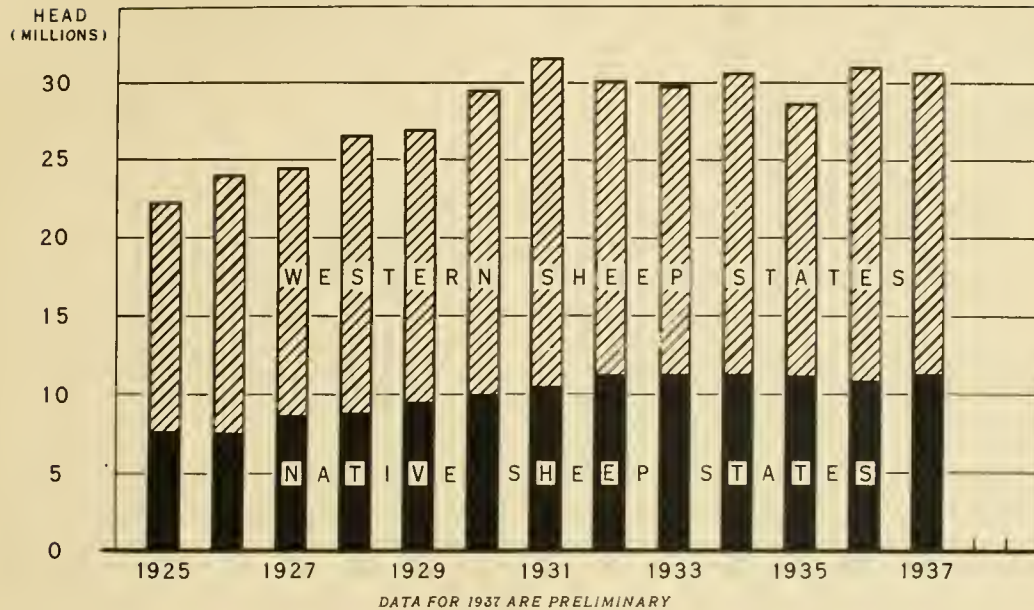
Wool prices in the domestic market probably will remain near present levels during the remainder of 1937. While mill consumption of wool in this country has declined from the high rate of the first quarter of 1937, supplies in the United States and foreign countries are still below average and demand continues relatively favorable.

In view of the very high level of domestic mill consumption since early 1935, however, it is possible that in the past year there has been a considerable accumulation of finished wool goods in the several channels of trade, and mill consumption in the last half of the year is not likely to be so large as in the same months of 1936. It is reported that unfilled orders for wool goods held by mills, which were relatively large in the first quarter of 1937, have decreased considerably in recent months.

With prospects for smaller mill consumption in the second half of this year than a year earlier, imports in this period are likely to be considerably smaller than those of the first half of the current year. But even with a smaller domestic consumption in the last half of 1937, supplies of raw wool in this country at the beginning of 1938 will still be relatively small. Consequently, fairly large imports may be necessary in the first half of 1938, although perhaps not so large as in the first 6 months of the present year.



## UNITED STATES LAMB CROP, 1925-37



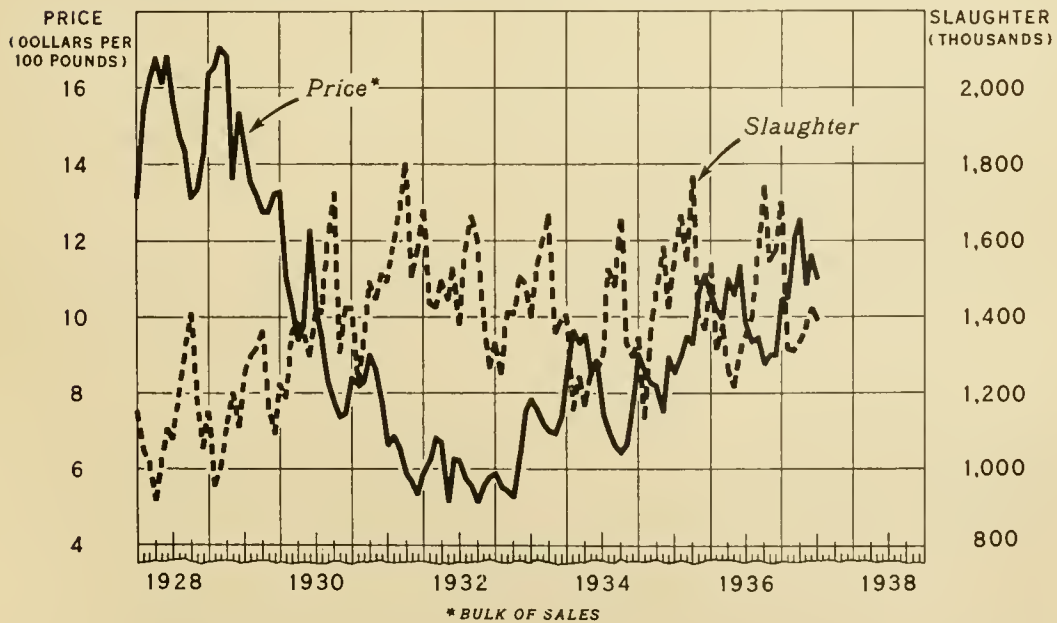
U. S. DEPARTMENT OF AGRICULTURE

NEG. 21898

BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 1

## PRICE OF LAMBS AT CHICAGO, AND FEDERALLY INSPECTED SLAUGHTER OF SHEEP AND LAMBS, 1928 TO DATE



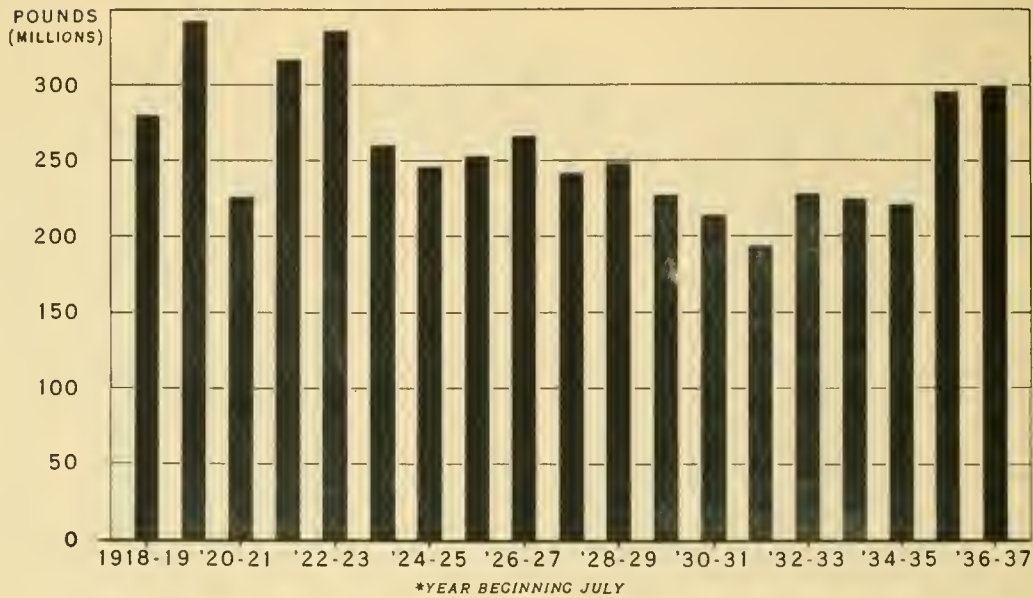
U. S. DEPARTMENT OF AGRICULTURE

NEG. 32566

BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 2

# WOOL, APPAREL CLASS, SCOURED BASIS: CONSUMPTION BY MILLS, UNITED STATES, 1918-19 TO DATE\*



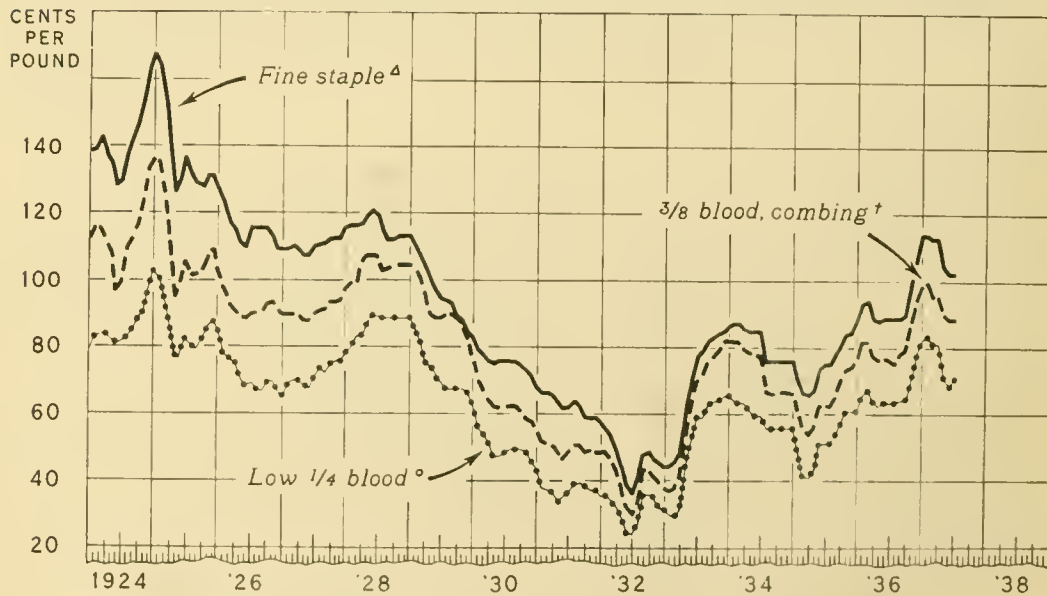
U.S. DEPARTMENT OF AGRICULTURE

NEG. 29402

BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 3

## AVERAGE PRICES OF DOMESTIC WOOL AT BOSTON, 1924 TO DATE\*



\* SCOURED BASIS, TERRITORY

Δ PRIOR TO JULY 1936, QUOTED AS 64'S, 70'S, 80'S, STRICTLY COMBING

† PRIOR TO JULY 1936, QUOTED AS 66'S, STRICTLY COMBING

° PRIOR TO JULY 1936, QUOTED AS 46'S, STRICTLY COMBING

U. S. DEPARTMENT OF AGRICULTURE

NEG. 19684

BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 4